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INFORMATION REPORT

COUNTRY USSR

SUBJECT Impasse in Soviet Economics

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1. Reports and general information [REDACTED] during the last few months, from the USSR, definitely confirm the serious trouble the Soviet authorities are having in their endeavors to stave off agricultural disaster. [REDACTED] as irrefutable. [REDACTED] established.
2. All of Khrushchev's "gymnastic oratory" does not serve to cover up the real situation. That situation will be revealed as catastrophic, unless there are very large importations of dairy products, meat, and canned foods. These will be paid for in gold. Since the end of summer 1953, they have been urgently needed. The veritable exhaustion of agricultural production is emphasized by the market shortage of beef cattle. All this is very likely to prevent the raising of the Soviet standard of living, which Malenkov has been promising ever since he came to power.
3. The official statistics are false. It can now be proved that the reduction in prices (due entirely to demagogic purposes) in the Spring of 1953, has merely made the lack of balance between supply and demand even worse. It is true that importations from beyond the Soviet "glacis" and intensified spoliation of the Satellite states have partly met the difficulties. But only partly. Incidents are still taking place, which are due to the increase in the workers' purchasing power, inadequately covered by production of definitely Soviet food products. It was therefore natural that there should be another state loan, to drain off the increased purchasing power granted the proletarians. The increase was thus granted with one hand, while it was being wiped out with the other.

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4. Despite these empirical attempts, the situation had not really improved at the beginning of the winter of 1953 and 1954. The "tapping" of the **Satellites** can hardly be started all over again, especially since the revolt in **east Germany** and the uproar in Czechoslovakia and Hungary. It is even said that it has been necessary to draw up on the ration reserve of the **Soviet Army**, in order to restock the State cooperatives. The fact that the army's maintenance service had to replace these supplies, explains the hasty negotiations with Australia, so as to get supplies of frozen and canned meat. A special ministry for **stockpiling** was recently set up under Leonid Korniets, a deputy member of the Central Committee. This shows how seriously the Soviet Government regards the matter.
5. However that may be, the failure of forced collectivization appears in the urgency of governmental measures, decreed primarily to cover up the collapse of agricultural policy. This collapse has been especially clear in cattle breeding.
6. Peasant passivity, not to say resistance, has made the fiercest kolchozians recoil. The proposed "agrovillages," or super cities based on the kolchozes, are beginning to disappear into the silences. No one accuses even the kulaks of having sabotaged them. The regime is always having to appeal for peasants. We will work well, plant, harvest, and deliver their production without chicanery. This fact, in itself, shows that passive resistance is being practiced and that coercive measures are not adequate to break the ill will of the peasants.

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